



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Pension Fund Fiscal Note 2015 Biennium

To open, right click on "Select a bill", select Worksheet Object/Edit. To exit, click outside the spreadsheet.

Bill #	HB0095	Title:	Require contributions on working retiree compensation
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Primary Sponsor:	Wilmer, Franke	Status:	As Introduced
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Retirement Systems Affected:

<input type="checkbox"/> Teachers	<input checked="" type="checkbox"/> Public Employees	<input type="checkbox"/> Highway Patrol	<input type="checkbox"/> Police
<input checked="" type="checkbox"/> Sheriffs	<input checked="" type="checkbox"/> Firefighters	<input type="checkbox"/> Volunteer Firefighters	<input type="checkbox"/> Game Wardens
			<input type="checkbox"/> Judges

Check the box if "Yes".

- ☒ Has this legislation been reviewed by the legislative interim committee?
- ☒ Has the cost of this legislation been calculated by the system's actuary?
- ☒ Does this legislation include full funding for any benefit revisions?

To open the Fiscal Summary spreadsheet, right click on the spreadsheet, select Worksheet Object/Edit. To exit the spreadsheet, click outside of the spreadsheet.

PERS	July 1, 2012 Current System	July 1, 2012 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	\$5,661,281,490	\$5,661,281,490	\$0
Present Value of Actuarial Assets	\$3,816,919,734	\$3,816,919,734	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$1,844,361,756	\$1,844,361,756	\$0
Amortization Period (years) of UAAL	dna	dna	0.00
Change in normal costs	11.80%	11.80%	0.00%

PERS	FY 2013 July 1, 2012	FY 2014 July 1, 2013	FY 2015 July 1, 2014	FY 2016 July 1, 2015	FY 2017 July 1, 2016
Employee Contr Rate prior 7/1/2011	6.90%	6.90%	6.90%	6.90%	6.90%
Employee Contr Rate 7/1/2011	7.90%	7.90%	7.90%	7.90%	7.90%
State and MUS Contribution Rat	7.17%	7.17%	7.17%	7.17%	7.17%
State Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%
Local Govt Contribution Rate	7.07%	7.07%	7.07%	7.07%	7.07%
State Contribution Rate	0.10%	0.10%	0.10%	0.10%	0.10%
School District Contribution Rat	6.80%	6.80%	6.80%	6.80%	6.80%
State Contribution Rate	0.37%	0.37%	0.37%	0.37%	0.37%
TOTAL Contribution Rate	15.07%	15.07%	15.07%	15.07%	15.07%

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SRS	July 1, 2012 Current System	July 1, 2012 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	\$284,559,171	\$284,559,171	\$0
Present Value of Actuarial Assets	\$211,535,253	\$211,535,253	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$73,023,918	\$73,023,918	\$0
Amortization Period (years) of UAAL	dna	dna	0.00
Change in normal costs	18.73%	18.73%	0.00%

SRS	FY 2013 July 1, 2012	FY 2014 July 1, 2013	FY 2015 July 1, 2014	FY 2016 July 1, 2015	FY 2017 July 1, 2016
Employee Contribution Rate	9.245%	9.245%	9.245%	9.245%	9.245%
Employer Contribution Rate	10.115%	10.115%	10.115%	10.115%	10.115%
State Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL Contribution Rate	19.36%	19.36%	19.36%	19.36%	19.36%

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FURS	July 1, 2012 Current System	July 1, 2012 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	\$377,211,275	\$377,211,275	\$0
Present Value of Actuarial Assets	\$233,121,145	\$233,121,145	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$144,090,130	\$144,090,130	\$0
Amortization Period (years) of UAAL	16.40	16.40	0.00
Change in normal costs	26.50%	26.50%	0.00%

FURS	FY 2013 July 1, 2012	FY 2014 July 1, 2013	FY 2015 July 1, 2014	FY 2016 July 1, 2015	FY 2017 July 1, 2016
Employee Contribution Rate	10.70%	10.70%	10.70%	10.70%	10.70%
Employer Contribution Rate	14.36%	14.36%	14.36%	14.36%	14.36%
State Contribution Rate	32.61%	32.61%	32.61%	32.61%	32.61%
TOTAL Contribution Rate	57.67%	57.67%	57.67%	57.67%	57.67%

FISCAL SUMMARY

To open the Fiscal Summary spreadsheet, right click on the spreadsheet, select Worksheet Object/Edit. To exit the spreadsheet, click outside of the

	FY 2014 Difference	FY 2015 Difference	FY 2016 Difference	FY 2017 Difference
Expenditures:				
General Fund	\$129,518	\$135,030	\$140,082	\$146,052
State Special Revenue	\$0	\$0	\$0	\$0
Federal Special Revenue	\$0	\$0	\$0	\$0
Other - Universities	\$16,418	\$17,116	\$17,757	\$18,514
Other - Local Government	\$91,284	\$95,168	\$98,729	\$102,937
Other - School Districts	\$44,780	\$46,686	\$48,433	\$50,497
Other - Counties	\$131	\$136	\$141	\$147
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Federal Special Revenue	\$0	\$0	\$0	\$0
Other - PERS	\$282,000	\$294,000	\$305,000	\$318,000
Other - SRS	\$131	\$136	\$141	\$147
Net Impact-General Fund Balance:	(\$129,518)	(\$135,030)	(\$140,082)	(\$146,052)

1.

Description of fiscal impact: Each employer shall submit required employer contributions on the compensation of retired members who have returned to covered employment, effective July 1, 2013. HB95 will provide additional funding for the applicable retirement systems to offset the funding lost by the adverse affect of retirees returning to work in place of active contributing members.

FISCAL ANALYSIS

Assumptions:

- Only PERS, SRS and FURS allow working retirees. Other retirement systems administered by the PERB will not be impacted.
- Salary projections are based on the actuarial assumed payroll growth assumption of 4%.
- Anyone that exceeds the hour limitations is expected to return to active service since the benefit is reduced once the hour limitation is exceeded.
- As the baby boomers retire, there will be more working retirees. In FY 2010 there were 459 working retirees reported. In FY 2012 there were 601 working retirees reported; however the actuary's impact study did not project working retiree increases.
- The impact on all systems could change if more retirees return to limited employment.

7. Employee contributions are not required and will not be required for working retirees.
8. The employer does not have to pay contributions for those employees who are otherwise properly excluded.
9. A retire returning to work takes the place of a new member that would otherwise be hired to fill the position where employee and employer contributions would be paid; therefore, employers and the State are not paying contributions beyond what is normally budgeted for new hires.
10. The current number of working retirees reported is 602 (PERS-601; SRS-1; FURS-0) are reported to MPERA per statute. The likelihood of working retirees not being reported has diminished significantly with the automation of working retiree reporting. The figures reported by the actuary were used to calculate the contributions that would be paid by the employers.
11. The fiscal impact presented in the report assumes that this bill is the only amendment being considered. If other changes are also adopted, the fiscal impact associated with this bill could be different.
12. There have been no adjustments for actuarial gains and losses or for changes in membership or financial data since the last valuation as of June 30, 2012.

PERS

13. For PERS it has been assumed that the additional contributions of 0.27% of payroll that became fully effective on July 1, 2009 will continue to be in effect. For SRS, it has been assumed that the additional contributions of 0.58% of payroll that became fully effective on July 1, 2009 will continue to be in effect.
14. For PERS working retirees are employed by employers as follows: local governments employ 32.4%; school districts employ 15.9%; State agencies employ 45.9%; and universities employ 5.8%.
15. For fiscal year 2014, the actuary reported additional contributions for PERS of \$282,000 multiplied by the appropriate employer rate in assumption number 13 equals the amount reported. $\$129,518 = \$282,000 * 45.9\%$ (percent of retirees employed by the state). The calculation can be repeated in similar fashion for the other employers.

SRS

16. For SRS the impact is very minimal (only one retiree in 2012; the same as 2010).

FURS

17. For FURS there is not currently any impact (no such retirees in 2012; the same as 2010).

To open the spreadsheet below, right click on the spreadsheet, select Worksheet Object/Edit. To exit the spreadsheet, click outside of the spreadsheet.

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
Operating Expenses	\$0	\$0	\$0	\$0
Equipment	\$0	\$0	\$0	\$0
Benefits	\$0	\$0	\$0	\$0
Transfers	\$0	\$0	\$0	\$0
TOTAL Expenditures	\$0	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$129,518	\$135,030	\$140,082	\$146,052
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other - Universities	\$16,418	\$17,116	\$17,757	\$18,514
Other - Local Govt	\$91,284	\$95,168	\$98,729	\$102,937
Other - School Districts	\$44,780	\$46,686	\$48,433	\$50,497
Other - County (SRS)	\$131	\$136	\$141	\$147
TOTAL Funding of Exp.	\$282,131	\$294,136	\$305,142	\$318,147
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other - PERS	\$282,000	\$294,000	\$305,000	\$318,000
Other - SRS	\$131	\$136	\$141	\$147
TOTAL Revenues	\$282,131	\$294,136	\$305,141	\$318,147
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	-\$129,518	-\$135,030	-\$140,082	-\$146,052
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0

Effect on Local Governments:

1. A retiree returning to work takes the place of a new member that would otherwise be hired to fill the position where employee and employer contributions would be paid; therefore, employers and the State are not paying contributions beyond what is normally budgeted for a new hire.

Long-Term Impacts:

1. Local governments, school districts, universities and the State will be required to contribute on all wages paid to working retirees which will increase the funding to the applicable retirement systems.

Technical Notes:

1.

<i>Sponsor's Initials</i>	<i>Date</i>	<i>Budget Director's Initials</i>	<i>Date</i>
Fiscal note prepared by:	NOTE: This is the Board's response to the fiscal note request		
Agency:	6104		
Phone number:	444-5457		